SHRI SHANKAR DAYAL SINGH: Before that or after that?

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): It will be after the Calling Attention, according to the rule. (*Interruptions*). Now, let us proceed with the Legislative Business.

SHRI SHANKAR DAYAL SINGH: Why don't you finish the discussion today itself, so that tomorrow only Bofors issue will be before the House?

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): I have absolutely no objection, but you will have to sit for a long time.

SHRI KAMAL MORARKA (Rajasthan): On a point of information. Is it agreed that we are passing one Bill today and the Red Cross Bill tomorrow?

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Let us see how long we sit.

SHRI KAMAL MORARKA: This is not the way. I have talked to the Minister. He has agreed that he will take up the second Bill tomorrow. At least let us decide what they are doing. (*Interruptions*). If you want anybody to function in a good spirit, at least tell us where we stand.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Not only in a good spirit, but in high spirit, Mr. Morarka. I can tell you that it is the consensus that we should finish one Bill today. If we can finish the second Bill also, nothing like that.

SHRI M. M. JACOB: We are not taking up the second Bill today. We are not taking it up today.

श्री राम अवधेश (बिहार): एच०इ०सी० बहुत जरूरी है, इस पर बात हो जाए।

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Here is an assurance to you that the second Bill will not be taken up today.

SHRI SHANKAR DAYAL SINGH: Only I want you to make it clear...

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): I have made it clear that the Legislative Business first, Calling Attention thereafter and then the Half-an-Hour Discussion will be taken up.

SHRI SHANKAR DAYAL SINGH: So, tomorrow.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Yes, tomorrow.

SHRI RAM AWADHESH SINGH: It will hardly take 10-12 minutes. HEC discussion should be finished today itself.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): Now, let us go to the Legislative Business. Statutory Resolution; Shri Gurudas Das Gupta, not there. Shri N. E. Balaram, Shri Chaturanan Mishra, Shri Viren J. Shah, Shri Subramanian Swamy—none there. Nobody is moving the Statutory Resolution.

Now Shri Rameshwar Thakur to move the Bill.

THE SECURITIES AND EXCHANGE BOARD OF INDIA BILL, 1992

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI RAMESHWAR THAKUR): Sir, I move:

> "That the Bill to provide for the establishment of a Board to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market and for matters connected therewith, or incidental thereto, as passed by the Lok Sabha, be taken into consideration."

Mr. Vice-Chairman, Sir, the Securities and Exchange Board of India Bill, 1992 was introduced in the Lok Sabha on 3rd March, 1992. The same was unanimously passed without any amendments in the House on 30th March, 1992.

[The Vice Chairman (Shri M.A. Baby) in the Chair].

The Securities and Exchange Board of India was constituted on 12th April 1988 for, *inter alia*, dealing with all matters relating to development and regulation of the securities market and investor protection. The Finance Minister

in his Budget Speech of 24th July 1991 had stated that full statutory powers will be given to the Securities and Exchange Board of India. He had also announced that consideration will also be given to enactment of legislation in regard to the operation of mutual funds.

The stock market has been growing at a very rapid pace ever since the present Government assumed office last year on account of the various liberalizations in policies announced by the Government in regard to industry and capital markets. It had, therefore, become essential to take immediate measures for maintaining the confidence in the stock market. As Parliament was not in session, the Securities and Exchange Board of India Ordinance was promulgated on 30th January 1992. I am happy to lay a Bill for replacing that Ordinance before this House.

The main objectives of the Securities and Exchange Board of India (SEBI) are to protect the interests of investors in securities, to promote the development of the securities market and to regulate it. The main powers and functions of the Board relate to regulating the business in stock exchanges and any other securities markets, registering and regulating the working of stock brokers, sub-brokers, share transfer agents, merchant bankers and other intermediaries in the stock markets, registering and regulating the working of collective investment schemes including mutual funds and prohibiting insider trading in securities.

I am confident that the honourable Members will appreciate the need for giving such powers and functions to the SEBI for ensuring the healthy and orderly growth of the stock market. A well-regulated market is essential for channelizing an increasing flow of savings into investments in securities for the further development of the economy. Such a system is also essential for encouraging inflow of foreign exchange through investments made by the non-resident Indians and Offshore Funds.

I hope that this Bill will meet the exacting standards required of us by the honourable Members of this august House and would be returned at the earliest to facilitate the development and regulation of the securities market and mutual funds in the country. As stated by the Finance Minister in his Budget Speech of 29th February 1992, additional powers will be given to SEBI to strengthen its capability as we gain experience.

With these words, Sir, I commend the Bill for the consideration of the honourable House.

The question was proposed.

THE VICE-CHAIRMAN (SHRI M. A. BABY): The motion for consideration of the Bill is now open for discussion. Shri Chimanbhai Mehta.

SHRI CHIMANBHAI MEHTA (Gujarat): Sir, I consider that the Ordinance was not necessary and this Bill could have been brought at this time because it was in the month of January that the Ordinance was promulgated and now, within two, three months, they are having this Bill. Therefore, in such matters it is not desirable that Government comes out with Ordinances.

Now one can understand that basically there is nothing new in the SEBI except that it has been given statutory powers.

So, how will the statutory power make a change? Anyway, it has been given like teeth to them, and let us see how effective they become in future.

At the moment the entire country is surprised. With an unprecedented boom in the stock market, the Sensex has crossed 5,000 index number in Bombay. The national index has also gone up in the same way. We do not know what exactly the reasons are for this, whether the last year's slow industrial growth could not provide investors the opportunity to invest their money in industry, that, therefore, they had surplus and that now with the Controller of Capital Issues office having been abolished, there are no controls and there is total opening, the investors feel that there is a big opportunity and that they can invest as much as they like.

Now, if it is a genuine money coming that way, one should not have any complaint against that. To what extent the money from the parallel market is coming into this should also be observed.

I do not know, within this one month after the declaration, after the announcement of the Budget, how much investment has gone into this stock market. They say that within a few years there will be 5-crore investors in India. Today the figure is much smaller. Anyway, therefore, regulating the stock market is a good idea. One cannot object to that. For that if the rules are properly framed for registering stock brokers, sub-brokers, transfer agents and other connected functionaries, one should appreciate that anarchic condition is not being allowed to prevail.

The question is how this SEBI would also address to certain basic issues. There is over-subscribing of certain scrips. Of course, it is an honour to those scrip issuers. Say, Tatas. When they issue a scrip, it is over-subscribed. The Kinetic Honda was over-subscribed. There are numerous companies. I would not go on giving the names.

But some companies do not return the money back to the subscribers when they do not issue shares to them. For months it is kept with these companies. Even the interest is not paid. This is not proper, and they must pay the interest, and, secondly, they must return the money, as they declare, in time. When the office of the Controller of Capital issues has gone and the companies are reverting to advertise their prospectus, here if they play fraudulent practice, to what extent would the SEBI be able to take them to task?

I say this because a company even though may advertise that it is having a bright prospect may not in reality have the same and the middle class investor, who is not so well-versed with all these fraudulent tactics of the company may not know the real position and may be taken in and that he may ultimately suffer. So, I would like to know whether there is any provision of punishment for such a thing or not, because the Office of the Controller of Capital issues has gone.

Secondly, a company which is already doing well while issuing convertible debenture may also issue new shares of the company. They are given premium rates. Now the premium rates, which were earlier decided by the Controller of Capital Issues, will be decided by the Company. Convertible debenture premium, if they are converted into shares, would also be decided by the company. S , even the big companies under the present situation will be tempted to exploit the small shareholders knowing well that there are no other avenues open to investors to invest, because bank interest is not high enough with the rising inflation. Therefore, they go in for stock market because stock market may give them higher returns. In such a situation it is the job of the Government to protect the interests of small investors. Therefore, some mechanism should be found out to protect their interests.

Since the Bill on the whole has got so many positive points, I won't make a long speech. I, therefore, come to the last point.

Because there is no one operating in between, there are dangers of take-overs. Famous case of DCM and Escorts is well-known. These take-overs may take place privately in the sense those who are holding the company today may themselves transfer the shares to persons who want to take over and get away with the money in cash. You know majority of the shareholders are individual shareholders. This unscrupulous method of taking-over may result in a lot of harm to small individual investors. I think the take-over is permissible. It is not that the old Directors and old Board has to continue all the time. What I want to point out is that the take-overs should be done in an open fashion. If another company wants to have a take-over, it must openly declare its intention saying that so and so shares are available in the market at say Rs. 40/- and that it is prepared to buy them because it wants to have control over that company and that it would be buying the shares at such and such particular rate. But instead of doing that if it is done in a clandestine fashion, it is not fair. At present our Indians are doing it and I say that is bad. But suppose foreigners intervene like this through a backdoor, what would happen? They have got enough money. You know we are exposing our

industries and there will be competion. Our industrialists are also exploiting our consumers. They are not that nationalist or patriotic.

But at the same time we should take care of overall national interests.Therefore, while exposing our Stock Exchanges to the international competition one has to see that our own industries do not suffer. We should take sufficient care about that also. I know that there is not much in this Bill that one can oppose. It is just a regulatory measure which has been there for a long time. I would be very happy if the Finance Minister reacts to the reasons for the boom. There is a danger. I am just asking for an explanation. I do not know whether the boom would burst in between and whether the small investors would suffer. I know that you cannot predict it. To predict it on the floor of the Parliament is a very dangerous thing. But it is for you..

SHRI RAMESHWAR THAKUR: I will reply to all the points raised by the hon. Members including the boom and the price rise, control, regulation and refund of money.

SHRI CHIMANBHAI MEHTA: So much. I would like to thank you.

SHRI VITHALBHAI M. PATEL (Gujarat): Mr. Vice-Chairman, Sir, the Securities and Exchange Board of India Bill, 1992 which has been brought forward by the Finance Minister contains a number of deficiencies. Number one, on one side there is inflation. Though the Government is for decentralising, for delicensing and for free market, yet the Board has no power. All the powers are kept by the Ministry of Finance itself. Even if the Board wants to prosecute somebody, they will have to take permission from the Finance Ministry. Then, what is the difference between the Controller and the new Board? If all the powers are kept with the Finance Ministry and the Board is merely an administrative office, then, it is of no use to set up this Board. You should give statutory powers to the Board, functional autonomy to the Board. But here for a small thing, they will have to go to the Finance Ministry. I think that will hamper the functioning of the Board and the Board will not be able to function efficiently. If possible, the Finance Minister should give autonomy to the Board.

Number two, the Board has got six members, one Chairman, two members from amongst the officials of the Ministries of the Central Government dealing with Finance and Law and one member from the Reserve Bank of India and two other members are to be nominated by the Central Government. In fact, there should have been eight members, four Government officials and four from outside.There must be two members on behalf of the investors. There should be representation from the recognised Association of Investors in the Board because they are looking after the interest of the investors. They are protecting the interest of the investors and they should also have a place in the Board. Two members should have been from the Stock Exchanges. The Stock Exchanges in the country are functioning well. There must be two members from the Stock Exchanges also. But now it is not the time to bring the amendment. Even about those two members whom the Government is going to nominate, one should be from the investors and another should be from the Stock Exchanges so that they can look after the interest of the investors. Otherwise, it will become a department of the Government. If they do not appoint two members for investors and Stock Exchanges, then it will become a department of the Government and I do not think we will have efficiency. So, if you want to see that the Board is functioning well, give them autonomy and take the two members you are going to nominate from investors associations and Stock Exchanges. Thank you.

श्रीमती सरला माहेश्वरी (पश्चिमी बंगाल): माननीय उपाध्यक्ष महोदय, भारतीय प्रतिभूति और विनिमय बोर्ड अर्थात् द सिक्योरिटीज एण्ड एकसचेन्ज बोर्ड आफ इंडिया, सेबी का गठन लगभग चार वर्ष पहले हुआ था, लेकिन अपने जन्म के तीन वर्षों तक यह संगठन प्रायः सुप्तावस्था में ही था। इस संगठन में सबसे पहले तेजी तब आई, जब हमारे वित्त मंत्री महोदय ने अपने पिछले बजट भाषण में इस निकाय की चर्चा की। अपने बजट भाषण में उन्होंने इस बात की भी घोषणा की कि इस निकाय को वैधानिक अधिकारी दिए जाएंगे और तभी इस निकाय में भी कुछ सुगबुगाहट देखी गई।

उपसभाध्यक्ष महोदय, इस निकाय ने उसके बाद से ही

निवेशकों के हितों की रक्षा के लिए वित्त-मंत्रालय को कुछ सिफारिशें दीं, जिस पर अमल भी किया गया। इसी दौरान सेबी ने म्युचुअल फंड के विज्ञापनों को बढ़ा-चढ़ा कर किए गए दावों के लिए उनके मर्चेण्ट बैंक को भी फटकारा और सेबी ने यह हिदायत भी दी कि अब से कंपनियां नए निर्गम जारी करने से पहले प्रोस्पेक्टस जारी करेंगी। इसके साथ ही सेबी ने कुछ प्रचार सामग्री की भी आपूर्ति की।

उपसभाध्यक्ष महोदय, मैं जिस बात की ओर मंत्री महोदय का और इस सदन का ध्यान आकर्षित करवाना चाहती हूं, वह यह कि इस संगठन की सक्रियता, इस संगठन की तत्परता का नरसिंह राव सरकार के आगमन के साथ गहरा संबंध है। नरसिंह राव सरकार की आर्थिक नीतियों का रुझान और सेबी की तत्परता एक दूसरे के साथ अभिन्न रूप से जुड़े हुए हैं और इन आर्थिक नीतियों के तहत ही इसी सेबी को महिमा-मंडित किया जा रहा है।

उपसभाध्यक्ष महोदय, नरसिंह राव सरकार की आर्थिक नीतियां क्या हैं, इनका मूल लक्ष्य क्या है? इस बात की अगर हम थोड़ी सी सुगमता के साथ और गहराई के साथ पड़ताल करें तो हम पाएंगे कि सरकार की आर्थिक नीतियों का मूलभूत उद्देश्य जो है, वह यह कि सरकार अपने आपको अर्थव्यवस्था से अलग कर रही है, अपने आपको उत्पादन से अलग कर रही है और सुनियोजित ढंग से उत्पादन के क्षेत्र में निजी पूंजी को बढ़ावा देने की पूरी कोशिश कर रही है। बहुत ही सुनियोजित ढंग से एक ऐसा वातावरण तैयार किया जा रहा है, जिससे निजी क्षेत्र की बड़ी-बड़ी जो इजारेदार कंपनियां हैं, उनके हाथ में बाजार की सारी की सारी पूंजी झाड़-पोंछ कर दे दी जाए, उनकी कोख में डाल दी जाए। सुनियोजित ढंग से ऐसी सभी बचत योजनाओं का आकर्षण कम किया जा रहा है, उनका आकर्षण गिराया जा रहा है, जिन बचत योजनाओं में जनता के खून पसीने से कमाई गई पूंजी का कुछ अंश जमा रहता था।

उपसभाध्यक्ष महोदय, पूंजी निवेश की उन तमाम योजनाओं को लघु बचत योजनाओं की तुलना में आकर्षक बनाया जा रहा है, जिससे उनमें जमा राशि इन दूसरी तरह की योजनाओं में जमा हो रही है। आप देखेंगे कि ऐसी तमाम योजनाओं को आयकर की छूट दी जा रही है, उनके ब्याज को बढ़ावा दिया जा रहा है और उन्हें हर प्रकार से आकर्षक बनाने की कोशिश की जा रही है, जिन योजनाओं में जमा होने वाली पूंजी सरकार के हाथ में नहीं जाएगी, इन म्युचुअल फंड के हाथ में जाएगी और....

जिन योजनाओं में जमा होने वाली पूजी सरकार के हाथ मे नहीं जायेगी, इन म्युचुअल फंड्स के हाथ में जायेगी और निजी निवेशकों और निजी कम्पनियों के हाथ में जायेगी। उपसभाध्यक्ष महोदय, सरकार की आर्थिक उदारतावादी नीति का ही पूरा रूझान इस ओर है और उसी रूझान के तहत यह सारा का सारा आधा-मंडल तैयार किया जा रहा है। इसके परिणामस्वरूप किस तादाद में सारी की सारी पूंजी गैर-सरकारी निजी कम्पनियों के हाथों में इकट्ठी होती जा रही है, इसका हिसाब ताजा आर्थिक समीक्षा में देखने को मिलेगा। आर्थिक समीक्षा में ही इस बात को स्वीकार किया गया है कि और यह कहा गया है कि सरकार की आर्थिक उदार नीतियों ने निजी कम्पनियों के पक्ष में अहम भूमिका अदा की है। म्युचुअल फंड्स, शेयर्स और प्रतिभूतियों के बाजार में आग लगी हुई है। लेकिन दूसरी ओर भयंकर मंदी है। जबकि बंद और बीमार कम्पनियां, ऐसी कम्पनियां जो वर्षों से बंद पड़ी है, ऐसी कम्पनियां जो वर्षों से बीमार थी, उन कम्पनियों के शेयर्स रातों-रात आकाश छूने लगे हैं। उपसभाध्यक्ष महोदय, क्या यह स्थिति हमारे वित्त मंत्री को विरोधाभासपूर्ण नहीं लगती? क्या इसमें उन्हें कोई अन्तर्विरोध नजर नहीं आता कि एक तरफ तो अढ़ाई लाख कारखाने बंद है और जो अढ़ाई लाख कारखाने बंद हैं, उनका 90 प्रतिशत हिस्सा निजी कम्पनियों के हाथ में है और इन्ही निजी कम्पनियों में अब फिर से आस्था प्रगट की जा रही है। लोगों को इन्ही निजी कम्पनियों की ओर विश्वास दिलाया जा रहा है और लोग अचानक इन निजी कम्पनियों के प्रति फिर से आस्थावान बन गये हैं। उपसभाध्यक्ष महोदय, यह सब कैसे हुआ? यह सब मुमकिन हुआ है सिर्फ प्रचार तंत्र के द्वारा और यह प्रचार तंत्र किसी और का नहीं बल्कि हमारी सरकार के प्रचार तंत्र का। हमारी सरकार ने जो मोहिनी प्रचार तंत्र तैयार किया है, मोहिनी माया का यह जो जाल रचा है, इससे हमारा आम छोटी-छोटी बचत करने वाला निवेशक भी इसमें फंसता चला जा रहा है।

सेबी का यह मामला भी और कुछ नहीं है। मैं यह कहना चाहूंगी कि यह मामला भी पूंजी के बाजार में इजारेदार कम्पनियों के हित में चंगा और आकर्षक बनाने के प्रचार का ही एक हिस्सा है। विधेयक के उद्देश्य और कारणों के कथन में यह कहा गया है, मैं उद्धरण करना चाहूंगी कि:

"Investors' confidence in the capital market can be sustained largely by ensuring investors' protection. With this end in view, Government decided to vest SEBI immediately with statutory powers required to deal effectively with all matters relating to capital market."

उपसभाध्यक्ष महोदय, वरना ऐसी स्थिति नहीं होती तो इस कठोर सत्य को कौन नहीं जानता कि सेबी की तरह के संगठन में कोई ताकत नहीं है जो शक्तिशाली इजारेदार बहुराष्ट्रीय कम्पनियों की लोलुप-लिप्सा पर कोई अंकुश लगा सके। दुनियां में अनेक विकसित और विकासमान पूंजीवादी देशों में इस तरह के कई निकाय हैं और मंत्री महोदय यह जानते होंगे कि अर्थ-नीतिशास्त्री पूंजीवाद में इस प्रकार के निकायों की भूमिका को पूंजीपतियों की लोलुपता और ठग विद्या के कारण यह जो उनका कम्पनियों का जनतंत्र है, यह जो कार्पोरेट डेमोक्रेसी है, इस कार्पोरेट डेमोक्रेसी की विकृतियों के निदानकर्ता के रूप मे देखते हैं। उपसभाध्यक्ष, महोदय, पूंजीवादी अर्थशास्त्रियों का यह वही केनिशियन इल्यूशन है जिसके बारे में केंस ने अपनी पुस्तक—दि लेजिज फेयर में कहा था—"पूंजीवाद में अपनी आत्मघाती विकृतियों से निबटने के लिये यह इस तरह के जो संस्थान हैं, यह इस तरह के संस्थान रेग्यूलेटरी तत्वों के रूप में काम करते हैं

और केंस का यह भ्रम था कि ऐसी छोटी-छोटी दवाओं के जरिये पूंजीवाद के लोलुप और लुटेरे चरित्र को दबाकर रखा जा सकता है।"

उपसभाध्यक्ष महोदय, क्लासिक अर्थों में तो एक शेयरहोल्डर कम्पनी का अंशदान होता है और इसी अवधारणा पर उनकी कार्पोरेट डेमोक्रेसी की पूरी बुनियाद खड़ी की जाती है। लेकिन वास्तविक अर्थों में क्या कहीं ऐसा है?

लेकिन वास्तविक अर्थों में क्या कहीं ऐसा है? सच्चाई यह है कि शेयरहोल्डर महज एक निवेशक होता है और उसके लाभांश की राशि उसको मिले, यह कौन तय करता है, यह वही तय करता है जो गुट अमुक कंपनी के बीस से तीस प्रतिशत शेयरों को अपने कब्जे में कर लता है। क्या "सेबी" कंपनी के अंशदार के रूप में शेयरहोल्डरों के हितों की रक्षा कर पाएगी?

उपसभाध्यक्ष महोदय, हमारे देश में पहले ही इन कंपनियों की धांधलियों पर काबू पाने के लिए कई वैधानिक प्रावधान मौजूद हैं। कैपिटल इशू कंट्रोल ऐक्ट 1947, सिक्योरिटीज कंट्रोल ऐक्ट 1957 के अलावा अन्य कई प्रावधान हैं। एम०आर०टी०पी० है, कंज्यूमर्स ऐक्ट है, कानूनी निकायों की एक पूरी बारात है। उपाध्यक्ष महोदय, इतने सारे वैधानिक प्रावधानों की बारात में अगर ये एक और निकाय बन जाएगा और हम यह समझें कि इस निकाय के बन जाने से पूंजीपतियों की धोखाधड़ी पर काबू पाया जा सकेगा, तो यह मूर्खों के स्वर्ग में वास करने के अलावा और कुछ नहीं है।

उपसभाध्यक्ष महोदय, मुझे यह कहने में कोई संकोच नहीं है कि "सेबी" एक पूंजीवादी ढकोसला है। यह पूंजीपतियों के हाथों में लगी पूंजी के बाजार को एक झूठी चमक प्रदान करने की कोशिश के अलावा और कुछ नहीं है। माननीय उपसभाध्यक्ष महोदय, हमारे देश का आम नागरिक कड़ी मेहनत करके जो बचत करता है, उस बचत की पूरी सुरक्षा तथा उसका पूरा लाभ उसे तभी मिल सकता है, जब वह पूंजी सार्वजनिक क्षेत्र के काम में आए, सरकार के पास आए और पूरे तौर पर लोकहित के कामों में उस पूंजी का उपयोग हो। लेकिन उपसभाध्यक्ष महोदय, यहां तो उल्टी ही गंगा बहाई जा रही है। लोगों की सारी बचत को पूंजीपतियों के हाथों में सौंपकर यह कहा जा रहा है कि आप चिंता मत करो, सरकार उसको देखेगी, सरकार आपके हितों की रक्षा करेगी। उपसभाध्यक्ष महोदय, क्या कोई इस बात पर यकीन करेगा कि "सेबी" कंपनियों की इनर ट्रेडिंग को रोक पाएगी। उनका भ्रष्टाचार, शेयर दलालों का जो भ्रष्टाचार है, उसको रोक पाएगी।

उपसभाध्यक्ष महोदय, "सेबी" अभी पूरी तरह मैदान में उतरी भी नहीं है कि यह अभी से विवादों के घेरे में आ गई है। शेयर बाजार की भारी गरमी को लेकर और इस गरमी को ठंडा करने को लेकर हमारे रिजर्व बैंक के गवर्नर, म्युचुअल फंड्स और "सेबी" की भूमिका को लकर काफी लंबा-चौड़ा विवाद शुरू हो गया है। कुछ लोगों का तो यह भी आरोप है कि यह तथाकथित सरकारी संस्थाएं भारत के विभिन्न शेयर बाजारों के बड़े-बड़े दलालों के साथ मिलीभगत करके यह भूमिका अदा कर रही हैं।

उपसभाध्यक्ष महोदय, ऐसे अनेक उदाहरण भी मिल जाएंगे जब हमारी यह पूरी की पूरी सरकार पूंजीपतियों के किसी एक गुट का समर्थन करते हुए देखी गई है। यह बहुत दूर की बात नहीं है। चंद वर्ष पहले ही कहा जाता था कि यह सरकार यानी दिल्ली की सरकार अंबानियों की सरकार है। पश्चिम बंगाल की सरकार को पेट्रोकेमिकल का लाइसेंस लेने के लिए एड़ी-चोटी का जोर लगाना पड़ा लेकिन अंबानी को रातों-रात लाइसेंस मिल गया। **(समय की घंटी)**

श्री विश्वजीत पृथ्वीजीत सिंह (महाराष्ट्र): अंबानी का नाम लिया तो उन्होंने घंटी बजा दी। आप देख रही हैं क्या हो रहा है?

श्रीमती सरला माहेश्वरी: प्लीज रिस्पैक्ट दि चेयर। उपसभाध्यक्ष महोदय, किस प्रकार हमारे देश के पूंजीपति सामान्य जनता की पूंजी के साथ खिलवाड़ कर रहे हैं, इसके अनेक उदाहरण मिल जाएंगे। पिछले दिनों ही लारसेन एंड ट्यूब्रो का मामला हमारे सामने आया था और यह बात बिल्कुल स्पष्ट हो गई थी कि ये पूंजीपति किस तरह फेरबदल करके एक कंपनी की पूंजी को दूसरी कंपनी में डाल देते हैं और उस पर कोई नियंत्रण नहीं है।

पिछले दिनों सेबी ने यह सिफारिश की थी कि कंपनियां किसी भी नए निर्गम को जारी करने से पहले प्रास्पेक्टस जारी करेंगी। मैं मंत्री महोदय से जानना चाहती हूं कि क्या सरकार इस बात की गारंटी देगी कि कंपनियों को उस बीच में होने वाली आय की हेराफेरी से सेबी रोक पाएगी? अगर नहीं तो प्रास्पेक्टस जारी करने की मांग सिर्फ छलावा नहीं है तो और क्या है?

उपाध्यक्ष महोदय, हम यह अच्छी तरह से जानते हैं कि आज जो सरकार सत्तासीन है, इसकी इज़ारेदारी पूंजीपतियों के हाथ में है...

THE VICE-CHAIRMAN (SHRI M.A. BABY): Please conclude.

SHRIMATI SARALA MAHESHWARI: I am concluding.

श्री विश्वजित पृथ्वीजित सिंह: पहले नाम लिया तो घंटी बजा दी। आपने लारसन एंड ट्यूब्रो का नाम लिया तो उन्होंने रोक दिया... **(व्यवधान)**

श्रीमती सरला माहेश्वरी: उपसभाध्यक्ष जी, पूंजी के बाजार को नियमित करने संबंधी कोई भी कार्यवाही सिर्फ बड़े इज़ारेदार पूंजीपतियों के हित साधन के अलावा सेबी नाम के इस निकाय के गठन का उद्देश्य कुछ नहीं होगा। लालची पूंजीपतियों के हाथों में जो पूंजी सौंपी जा रही है, जाहिर है कि यह पूंजी न तो हमारे देश का कल्याण कर पाएगी और न कोई जनहित का काम कर पाएगी। इसलिए मैं कहना चाहूंगी कि यदि सरकार वास्तविक अर्थ में निवेशकों के हितों की रक्षक है तो वह पहले से मौजूद कानूनों को प्रभावशाली ढंग से इस्तेमाल करना चाहती थी तो कर सकती थी लेकिन जब सरकार को ऐसा कुछ करना ही नहीं है तो अव्यवस्था, अराजकता, लोलुपता के हाथों में सब कुछ छोड़ देना चाहती है तो सेबी की तरह इस निकाय का गठन सिर्फ एक छलावा है, एक मृग मरीचिका है, एक धोखे की टट्टी के अलावा कुछ

नहीं है। इसलिए उपाध्यक्ष महोदय, मैं फिर से कहना चाहती हूं कि सेबी की तरह के इस संगठन को चाहे आप वैधानिक अधिकार दें या वैधानिक अधिकार न दें, इससे कोई फर्क पड़ने वाला नहीं है। इसलिए मैं अपनी बात के अंत में बाइरन की उक्ति बताना चाहती हूं। बाइरन ने कहा था— Thy Time, the Avenger समय आएगा, समय आपको देखेगा और जो मोहक जाल आपने बुना है, इसके सारे तारे तार-तार हो जाएंगे। धन्यवाद।

SHRI SANTOSH BAGRODIA (Rajasthan): Mr. Vice-Chairman, Sir, I rise to support the securities and Exchange Board of India Bill, 1992. It is a very ideal Bill. This is a Bill to provide for the establishment of a Board to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market and for matters connected therewith or incidental thereto. This is the basic purpose for which this particular Bill is being introduced by the Hon. Minister. Sir, the economy is opening up very fast. As Saralaji has said, this Bill is there because of the opening up of the economy which is the policy of Mr. Narashima Rao Government. On this particular portion I am with her. I would like to mention here that, सरला जी, मैं आपके लिये बोल रहा हूं। As you have said that this particular Bill is attached to the policy of the present Government of India directly, there is no doubt about it. I am with you on this particular point. लेकिन मैं आपको याद दिलाना चाहता हूं कि जो आपने कहा कि मोहिनी माया में फंसाते चले जा रहे हैं मैं आपको बतलाना चाहता हूं कि मोहिनी माया में जो कम्यूनिस्टों ने, आपकी सरकार ने और आपकी पार्टी ने फंसा रखे थे, उस मोहिनी माया से अब हिन्दुस्तान निकलता जा रहा है।...(व्यवधान)

श्रीमती सरला माहेश्वरी : वह समाजवादी व्यवस्था थी...(व्यवधान)

श्री सन्तोष बागड़ोदिया : अब निकलता जा रहा है, वह निकलने दीजिए। सेविंग्ज की बात आपने कही कि सेविंग्ज सारे प्राइवेट पार्टीज़ को दे देंगे तो...

THE VICE-CHAIRMAN (SHRI M.A. BABY): She is no doubt a charming lady, so you would be tempted to address her. But you have to address me. You have to address the Chair...

SHRI SANTOSH BAGRODIA: My dear Sir, I am adressing you, but I want my message to be conveyed to her through you... The savings are going to the private sector, that is what she was saying. But I do not think any Indian or any investor would be foolish enough to give his hard earned savings to anybody unless he is sure of safety and better returns. If anybody else can give better returns, why would he want to restrict his savings to a particular system alone? So, it is opening up. Why do they want the poor to remain poor for centuries to come, that I don't understand. Another point that I wish to make is about licences. She said licences were not being issued to the West Bengal Government. But what is the fate of the licences which had already been issued? The fertilizer factory in Haldia is ready, the workers are there, but the production is zero, a big zero for the last so many years. Now, there are no licences required. I would like to see how the West Bengal Government works at least now when the licences are not required. You should have no complaints. Let us see what kind of investment you can generate in West Bengal. I will be the happiest person then. But I wish you changed your thinking. Please do not object for the sake of objecting. The world is changing and you should also start changing. Your Chief Minister is changing but these people, his friends, they are not letting him change. They are pulling his legs so much that in spite of his desire for change he is not able to change. As the country progresses, the State of West Bengal will remain 30 to 40 years behind the country. The Chief Minister will not be allowed to function freely. I request my friends on the other side with folded hands to let him function more freely so that the State develops. Now coming back to the Bill, it is said the investors are increasing. There are investors from villages, investors from the whole country and there are also investors from abroad. This is where I am a little worried. What with investors coming from all over the world, whether it is from the NRIs or the foreigners what assurance the hon. Minister is giving the existing industries which are being run efficiently? These industries might get cornered either by the NRIs or the foreign investor. What safeguards are given to the Indians living in the country who have been serving the country and who have done all the hard work to develop industries here? The

NRIs and the foreigners will come and take away everything. They will corner these people. What protection does the Minister give against this kind of raiders? Another point on which I agree very much is about the stock exchanges. The stock exchanges in Calcutta, Bombay, Madras all of them have their own rules. They are absolutely free to make their own rules. As a result they do not have similar rules. But with the introduction of this Bill I hope we will be able to centralise these rules. These rules should be applicable to all the stock exchanges. I do not know why Bombay stock exchange should be objecting to it. Probably they are afraid their powers would be reduced. But as my friend has rightly said, to make SEBI more effective we should have on the Board representation from the investors and also the stock exchange representatives. There should be representatives from all the metropolitan cities so that they can tell the world the kind of problems faced by the small or the big investors. Everybody is worried about insider trading and this is a world phenomenon. This must be stopped; otherwise, definitely, it is going to affect the small investors and the innocent investors. On this, I would like to know what precaution the Minister is taking. Sir, it has become a usual practice nowadays that whenever the new companies are floating their shares, the investment, as I am told, is 100 times more than the shares offered. Probably in one company, it went up to 400 times. That means, if you apply for 400 shares, you get one share. I don't mind this if the demand is so much. It is good that the economy is going up and the capital market is going up. But for 399 shares for which the investor has paid, how does he get the money back in time? This is the great difficulty. He does not get the money in time in spite of the facilities available, like computerisation. That money does not come back to him in time. What precaution does the hon. Minister take in this regard? He said that he would reply when Mr. Chimanbhai asked the same question. I will appreciate that. Many times the companies do not even behave properly. They don't register the shares, particularly of the small shareholders. What kind of law or what kind of rule is going to be introduced to see that the companies do not refuse to register any shareholder, if he so wants? I have purchased the shares. I don't know whether it will be registered or not and the company does not give any reason. They do not register within a time-limit. Why don't you introduce some kind of a time-limit within which they must be required to register or they must give a valid reason? What action is going to be taken against non-registration? Sir, a number of times it is also noted that the shares are lost. The small investors go on running around the company asking for duplicate share certificates. False scrips are also there in the market. The market is widening so much that false scrips are issued. What precautions is the Government going to take in this regard? In the Bombay stock exchange, I understand that the premium today is Rs. 50 lakhs to Rs. 1.5 crores for membership only. I don't know if the Government can introduce a rule by which they only can increase the membership. When the economy is opening up and when more investors are coming, we need to have more brokers. Why should there be a limited number of brokers? I am not a stock broker and I do not know as to how they really function. We will have to find out a way where we don't have only a concentrated, limited number of brokers. We should have any number of brokers. And how to implement it, I do not know. But I would like at least to see that the entire stock market is not in the hands of a few in the country. The Bill also says about promoting investors' education and training of intermediaries of securities markets. Whenever such Bills are introduced, all idealistic clauses are put in. I would like to know from the hon. Minister as to how promoting investors' education and training of intermediaries of securities markets are going to be done. What is the process of implementing this particular clause? Also, there is a clause on Page 6 which says: "Regulating substantial acquisition of shares and takeover of companies." But what method is the Government adopting to see that the shares are not cornered? The laws are framed. But how are you going to implement it? If it is not

implemented, then it becomes a waste-paper. At one place in the Bill, it says about registration of stock brokers, sub-brokers, share transfer agents, etc. Now this registration is already there in stock exchanges. Now they want registration on this SEBI also. Is it going to be a duplication or a fresh registration? Is this registration to reduce the competition or to raise more funds for this particular saving? If these points are clarified, it will make things much easier and the purpose of this Bill will lbe achieved. I hope that the hon. Minister would look into these aspects. With these words, I conclude. Thank you.

SHRI GOPALSINH G. SOLANKI (Gujarat): Thank you, Mr. Vice-Chairman. The Bill has been introduced to provide for the establishment of a Board to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market and for matters connected therewith or incidental thereto. I would like to submit that the object is too high.

If you look at the Ordinance, it indicates alienation of bureaucracy and giving powers to an autonomous body working with the policy of the Government. When we go through the Bill, we find there are seven chapters. The first chapter gives the title, extent and commencement of the legislation and the definitions of the terms used therein. The second chapter is about the establishment of the Securities and Exchange Board of India. The third chapter deals with the transfer of assets, liabilities, etc., of the existing Securities and Exchange Board to the Board being constituted. The fourth chapter describes the powers and functions of the Board. The fifth speaks about Registration Certificate. Chapter VI is in respect of finance, accounts and audit. Though Chapter VII deals with miscellaneous items, it is also very notable.

When we go chapter-wise, clause 4(1) says that the Board shall consist of a Chairman, two members from amongst the officials of the Ministries of the Central Government dealing with Finance and Law, one member from amongst the officials of the Reserve Bank of India constituted under section 3 of the Reserve Bank of India Act, 1934 and two other members, to be appointed by the Central Government. There is no clarity in regard to the 'two other members' mentioned in sub-clause (d). There is no mention about their qualifications and expertise in stock exchanges or security market. This very legislation was made earlier and the SEBI was set up in April 1984 with a view to regulating the functioning of the security market in India. But unfortunately, we have not seen it work independently. The real objective of the SEBI was to reduce the role of the Government in the promotion and regulation of securities in the market. Now, in the USA and the UK, we find the governing organisations working independently. They are very powerful. But if you look at Korea, Phlippines and Sri Lanka, you find that there are bodies on the lines of the Security Exchange Commission of the USA. And they are totally ineffective because they are underfunded, undermanned and have no powers for enforcement. I would like to ask whether we want similar agencies in India . Furthermore, in regard to the functioning of the SEBI, powers are retained by the Central Government in respect of termination of membership and chairmanship. Not only that. Under clause 17, the Central Government is being empowered to supersede the SEBI. Apart from this, for prosecuting against agencies or stock and share brokers or stock exchanges or companies, the Board has to obtain the sanction of the Central Government. Clause 24 says that whosoever contravenes or attempts to contravene or abets the contravention of the provisions of this legislation or of any rules or regulations made thereunder, shall be punishable with imprisonment for a term which may extend to one year, or with fine, or with both. Now, I would like to draw the attention of the hon. Minister to section 467 of the Cr. P.C. In cases of offences which are punishable with up to one year of imprisonment, a case has to be instituted within one year. Now, obtaining sanction will take some time. So, the inquiry may be more than one year from the date of the offence.

7.00 P.M.

Now, I would like to say something about clause 24 of the Bill.... *(Interruptions)*... I think there is

something wrong with the sound system because some noise is coming... *(Interruptions)*

SHRI VISHVJIT P. SINGH: I think there is something wrong with the microphone...*(Interruptions)*

THE VICE-CHAIRMAN (SHRI M.A. BABY): I think it is a technical snag and I think it will be rectified soon. Shall we continue now?...*(Interruptions)*

SHRI VISHVJIT P. SINGH: He can continue. But will it be reported in the midst of this noise?...*(Interruptions)*

THE VICE-CHARIMAN (SHRI M.A. BABY): I think we can continue. Yes, Mr. Solanki, you can continue. Meanwhile, they will do the necessary repairs.

SHRI GOPALSINGH G. SOLANKI: Sir, I would like to say something about caluse 24. For the sanction to be taken it will naturally take not less than one year and the particular punishment mentioned here will be under section 468 of the Cr.PC. Not only that. All the cases which are reported to the Board have to be referred to the Government for the purpose of sanction. In this connection, I would like to give some figures. During the calender year of 1990-91, the Board had received 69,100 cases and during the period from January to March, 1992, the Board had received 38,681 complaints out of which 12,000 cases are yet to be examined and they have classified the companies into three or four parts. The first part is having 49,400 complaints, the second part is having 16,706 complaints, the third part is having 32,042 complaints and the fourth part has 9,633 complaints. I would like to say that this is too much of a burden. This Ordinance was promulgated with a view to minimising the burden on the Government. But, at the same time, by having this provision for seeking the permission of the Government for prosecution, the Government has only increased its burden and, therefore, the whole objective is marred and the purpose is defeated.

Now, they have talked about the Mutual Funds and my friend, Shri Santosh Bagrodia, talked much about it. I would like to ask whether it is always protected. At the initial stages, the Mutual Fund Scheme was entrusted to the Unit Trust of India. But, at a later stage, the nationalised banks started it by advertising in a very wrong manner. The banks also now advertise saying that if you deposit a hundred rupees, you can take on lakh of rupees at a later stage or, if you deposit some money now, it will get doubled in 2½ years or three years. Some technique is being adopted by them and so, the illiterate classes are attracted and they lose their money and they are never iprotected. I would like to know whether the Government is aware of such advertisements or the pattern of such advertisements and whether the Government is thinking of regulating it or of putting some restrictions or restraints on this sort of a thing.

Sir, I would say in the end that this is, after all, a Bill which gives extended arms to the Government. But this is not autonomous or independent. Despite that, SEBI has to be introduced to regulate the functioning of the Stock Exchanges. Therefore, I support the Bill. Thank you, Sir.

SHRI VISHVJIT P. SINGH: Mr. Vice-Chairman, Sir, I rise to support this Bill.

With the kind of liberalisation that is coming in, and especially in the light of the present Budget which the hon. Finance Minister has been pleased to bring before Parliament, investment will not only be channelised mainly towards the stock exhange but a large amount of funds will be available for that. That is the feason for the rise in the prices of even the most moriband company shares. My hon. friend, Madam Maheshwari, while speaking earlier, had expressed astonishment at the Tremendous rise in the prices of company shares which have been sick for years. This is the cause of the rise in prices of those shares becaue now the investor's confidence in the stock market is rising. People are investing money and a surplus amount of money is available only for investment in the stock market. If you channelise industry, this is a part of the larger policy of the government to create more jobs and more employment through investment in industrial enterprises. Now all these fund will be available. Now the whole lot of

foreign investment will also be available. It was the right time for the Government to bring in this kind of control through securities and exchange control board as envisaged. Other countries which have been mentioned here—USA, UK, various countries of Europe, Canda, Australia —in fact, most of the countries of the free world have got very stringent control boards in some form or the other to regulate the stock market to control inside trading and to keep a check on unscrupulous profiteering and keep a check on drain of resources. And it is with that laudable objective in view that this Bill has been brought forward by the Government. It is obvious that the age of liberalisation and freedom from controls as we perceived them in the past, has come. This is the first Bill I am seeing in Parliament, and this is a very interesting point, Mr. Vice-Chairman, that every single Bill which has come in, which envisages the creation of a Board of a governing body, always lays down very exact qualifications for the members of that body, making sure that it remains in the hands of bureaucrats. This is the first Bill which is open, which does not close the option straightway. It allows the Government the option of bringing in the best talent from the field, as I will read out from clause 4, sub-clause (5):

> (5) The Chairman and the other members referred to in clause (d) of sub-section (1) shall be persons of ability, integrity and standing who have shown capacity in dealing with problems relating to securities market or have special knowledge or experience of law, finance, economics, accountancy, administration or in any other discipline which, in the opinion of the Central Government, shall be useful to the Board."

This is the pretty broad parameter which will allow the Government to tap the best talent available within the country. This is laudable. While agreeing with all this, there are two points upon which I would like to have certain clarifications from the hon. Minister. I am slightly apprehensive about this. The first point is that I agree that there is a certain amount of freedom. But, once again, there is a limit to the amount of freedom you should allow.

The hon. Minister in Cluase 7 mentions that the Board shall meet at such times and places and shall observe such rules as may be provided by the regulations. Once, again, the salaries and emoluments of the Members, the terms of office of the Chairman and the Members shall be 'as may be prescribed'. There is a lot of things 'as may be provided' and 'as may be prescribed'. Well, these are verey important matters, and they should not be left ambiguous.

Then sub-clause (1) of Clause 20 says that "any person aggrieved by an order of the Board made under this Act, or the rules or regulations made thereunder may prefer an appeal to the Central Government within such time as may be prescribed". Again Clause 30 says that the Board may make regulations regarding the time and place of meetings, etc. Nothing is exactly difined. This has been left vague. In the earlier instances which I quoted, where it was the appointment of Members and the qualifications, though you have not left it open to question by not giving specific recommendations, still there are certain criteria which were laid down. In this particular case, this leaves it open to abuse because, in the past, whenever we have left such matters open, we have always laid down a certain qualification, and my good friend, Mr. Bagrodia, will correct me if I am wrong because he is the owner of various companies. Is it not a fact that most of the time you lay down certain number of prescribed meetings per year or per quarter?

SHRI SANTOSH BAGRODIA: Four.

SHRI VISHVJIT P. SINGH: In this particular case, there is no specification, there is no qualification. And I would urge upon the hon. Minister to prevail upon the Board as and when it sits, to decide upon these regulations to make sure that a certain minimum prescription is made. This should not be left open. I am told that it is through an over-sight.

And I would urge upon the hon. Minister to kindly look into this matter. Similarly, about terms of employment, period of appointment and emoluments, that again has been left open. That again is one area which in any case should not have been left open. The Parliament should be informed as to what you are going to pay, what the financial outlay is going to be. The Parliament should have been informed about the term of the Members. Today, we have no idea as to how long the term of the chairman is going to be or how long the term of the Member is going to be. It is going to be 'as prescribed' by the Government or by the rules or regulations. I would urge upon the Minister to make sure, specially in the first instance when the Board will be functioning for the first time in India, that it must be of a very short duration and must not be allowed to remain for a very long time. And there should be some kind of renewal, and some kind of scheme should be worked out.

Lastly—last but not the least—I have one query. And this is regarding the qualification, the power to exempt, which is under Clause 28. Clause 28 says, "if the Central Government is of the opinion that it is necessary or expendient to do in public interest, it may, by order published in the Official Gazette, exempt any person or class of persons buying or selling securities or otherwise dealing with the securities market from the operation of the provisions of sub-section (1) of Section 12." And what does this sub-section (1) of Section 12 say? It says, "No stock-broker, sub-broker, share transfer agent.....shall buy, sell or deal in securities except under, and in accordance with the conditions of a certificate of registration obtained from the Board in accordance with the rules made under this Act: Provided that a person buying or selling securities...may continue to do so for a period of three months..." There is a grace period of three months. He may continue to do so for three months before his registration.

I would like to know from the hon. Minister as to what was the need for this particular clause. Why exempt anybody? Why does the Government envisage exempting any broker or dealer or agent from the provisions of this Bill? I would like the hon. Minister to clarify this point. I am afraid, with my limited comprehension, I do not understand this.

Lastly, in reply to the point raised by my friend, who is no longer in the House, Mr. Solanki, he mentioned about clause 24 when he said that whoever contravenes or attempts to contravene this Act or anything, shall be punishable ....

PROF. SAURIN BHATTACHARYA (West Bengal): There would be guests in Mr. Solanki's house.

SHRI VISHVJIT P. SINGH: I quite concede; he must be busy with some other engagement. I only wish to clarify a point for the House, when he says that if anybody contravenes—and he talks of clause 24—he said that the only punishment is one year imprisonment or fine or both. Well, the fact is that this punishment has been provided only for contravention of any clause under this Act. But what does this Act provide? It only provides the factum of registration, that is, only the certification and to deal through the certification. That is all. This Act provides nothing further. Other penalties will be dealt with under other laws. If there is a fraud committed, it shall be punishable under fraud and if there is some other section of the penal code which is contravened, it shall be punishable under that. It is purely for contravention of the provisions of this Act and this Act provides only one obligation upon a company and individuals dealing in shares, firstly to obtain a certificate and register themselves as dealers, and secondly to provide information whenever required by the Securities and Exchange Board of India under this Act. Those are the only two provisions and only two obligations which have been put on you. Contravention of those obligations shall attract imprisonment of one year and fine. I personally feel that it is a very reasonable provision. There is no need for any drastic provision any farther than that.

With these words, I commend the Bill and I thank the hon. Minister for bringing this Bill at this very opportune time when we want to control these funds which are now available. Thank you.

SHRI KAMAL MORARKA (Rajasthan): I do not want to go into the policy framework etc. which has been discussed during the Budget discussions. Views of all concerned are known and our position on your present set up and economic changes—not reforms; they are changes are well-known. I do not want to waste the time of the House, and I come to this Bill.

The first point on this Bill is, and on which I want to record my objection, that it was passed by an Ordinance which was wholly unnecessary. Ordinance was passed on 31st January 1992. Two months have passed. I am in touch—I stay in Bombay—with exactly what is happening. Nothing has happened in two months which is of any material consequence where you could say that by passing the Ordinance some drastic changes have taken place in two months, or that it was necessary that before Parliament met, this had to be done suddenly, or the leakage of such a Bill would have had some effect. Those are the normal reasons when Ordinances are passed. None of those reasons merits passing of this Ordinance. Therefore, I want to record my objection to it. It has been a tradition in Parliament; in Pandit Nehru's time, throughout his tenure, there were only one or two Ordinances issued; in Mrs. Gandhi's time, there was an important Ordinance on bank nationalisation which had to be done by an Ordinance because it had to be done without prior intimation. But half a dozen Ordinance I have seen of this Government. It is actually a minority Government. I do not understand why you are bringing the Bihar type of functioning into the Central Government. Bihar Government is known to issue Ordinances by hundreds. The Legislature meets and is a adjourned without passing those Ordinances into Bills, and they are re-enacted by the Government through the Governor. I think these are bad practices. Power of issuing Ordinance should be used very sparingly and very judiciously by the Government.

And this is one case where this power has been used wholly unnecessarily.

Sir, what does the Ordinance and now this Bill seek to do. It seeks to create a new corporate body, the Securities and Exchange Board of India as a corporate body. The Board already exists. It has been given statutory powers. What is the idea of the whole Bill? There are only two sections, sections 11 and 12, which give powers and teeth to the Corporation. I want to know, what is your objective in your present phase of governmental powers? Are you trying to decontrol? As I have understood it, once you have SEBI, the natural corrolary is that you do not want the Controller of Capital Issues. If that is the intention, how is this Corporation going to be autonomous? The Chairman is going to be appointed by you. It will not be autonomous like the IDBI or Air India or BHEL. It will be neither here nor there. It is not autonomous.

Now, Sir, at the moment, in the last two months, after this Ordinance has come, what is the position? Both the SEBI and CCI are functioning, with the result that the main objective is lost. Already there is a Jamming up. The new companies which want to come up, have to go to two windows. They have first to go to the CCI and then apply to SEBI. There is thus a further time-leg. May I, therefore, request the Minister to please abolish the Controller of Capital Issue immediately? Let us try to go ahead. Once you do something within the limits or whatever you think you are doing, please do it properly. This has not been done properly.

Secondly, once you make SEBI a corporate body, I assume the idea would be to make it an expert body which can control the proliferation of stock exchange companies. Obviously, it should be manned by people who know the subject. Who is the Chairman of SEBI? I have nothing against an individual, it should not be taken as a comment against him, but there is an IAS officer, by name Mr. G.B. Ramakrishnan, who—I read it in the newspaper—has been given three-year extension. When you are making a new body with an Act of Parliament, for Heaven's sake, appoint a person who knows capital market, who knows finnace, who has either been in the Reserve Bank or with the Unit Trust. What is the use of having an IAS officer? I can understand, the old body was

without teeth, but now you are coming up with such revolutionary changes and the Minister is talking of such objects and Reasons, you are making the House feel that you are about to enter into a new era. My request to the Minister is, it is in your power, please appoint the ex-Chairman of the Unit Trust or somebody who has the expert knowledge of capital market, who can understand the seriousness of what is happening. Otherwise, it will be just creating a body that will make another beaurocratic mess.

Now what are the terms and conditions? I wish to bring it to the attention of the Minister that they are making conditions that a new issue should be under-written by not more than three merchant bankers. This way, the small merchant banker will go out of market. If you say that the issue should be under-written by three, that means you are creating a condition in which only the bigger merchant banker can thrive. It is contrary to your own policy. If you want to decentralise, do not put conditions in favour of monopoly. SBI, IDBI and only the big merchant bankers will thrive. The small merchant bankers will go out of market. If SEBI has been created, it should go all out to encourage smaller people, medium people. Otherwise, it is of no use. What is the structure, functioning and control of SEBI? Earlier the Controller of Capital issues was there. If it goes, SEBI will start functioning. What will be the government control? Will SEBI report to the Finance Ministry or to the Reserve Bank? Already we have IDBI which used to be under the Reserve Bank at one time. One of the Deputy Governors of reserve Bank used to be Chairman of IDBI. In 1975 Mrs. Gandhi brought a legislation, disconnected IDBI from RBI and made the other financial institutions as subsidiaries to IDBI. IDBI was supposed to be a holding company as per an Act of Parliament but it is not functioning as such. In fact, when the National Front Government was there, I believe the Finance Ministry issued instructions that the Reserve Bank will have no control or say in matters of development banking, which means that RBI, IFCI and ICICI will directly report to the Government. It is not a good practice. The Reserve Bank is an expert body. It controls the country's currency, monetary and fiscal policies, inflation, everything. There has to be coordination. Let us not have this anarchy. I don't mind whatever you are doing, but your experiment is not likely to succeed if it is managed by IDBI. And if SEBI is another body where the Chairman is going to report directly to some Joint Secretary in the Ministry, it may not succeed. SEBI must be under the Reserve Bank discipline. SEBI must conform to Reserve Bank ideals.

Sir, since SEBI is supposed to control the stock exchanges, I will just say a few words on the stock exchanges before I conclude my submissions. There are many stock exchange in the country, but the Bombay Stock Exchange conducts 62 per cent of the total business conducted in the whole country. Calcutta has 10 per cent and Ahmedabad has eight to nine per cent. So the other stock exchanges are very small compared to Bombay. Now, what is the situation in Bombay? The Bombay Stock Exchange has made a 30-storey building to house the Stock Exchange in view of the increasing activity. Out of 30 storeys, they have given 12 storeys to Bank of Baroda and GIC. Okay, at one time they may be needing money, I don't know, but today with this total increase and the total increase in the capital market, they want the space back, and the Bank of Baroda and GIC don't want to vacate. This is anarchy. The Finance Ministry should immediately direct Bank of Baroda and GIC to find alternate space in the city of Bombay, to vacate those 12 floors and give them to the Stock Exchange. Otherwise, how will the Stock Exchange function?

About the number of brokers, a question was raised by Mr. Santosh Bagrodia. Bombay Stock Exchange used to have 500-odd brokers. Some time ago they increased it to 550 brokers, members of the Stock Exchange. Now they have taken a decision to increase it by another 71 members. So it will be 550 plus 71. For the 71 members, the number of applicants is 453. So, again the same shortage, again the same premium and blackmarketing. They are going into the same system. What are the conditions they have put? That the new members

can be private limited companies, but their shareholders have to be ex-card holding members of the Stock Exchange. What kind of monopoly are we creating? Why can't a new man become a stock broker? I am against this entire activity, that is a different matter. Now I am discussing this activity on its own merits. If you are having a capital market, if you are having a booming capital market, as Bombay is, please see that there is adequate membership. Why only 1,000 stock brokers, why not 2,000 stock brokers? The Bombay Stock Exchange says, "We do not have space. If we have space, we will admit more members." The space is in your hands. Twelve floors are occupied by Bank of Baroda and GIC. Please instruct them and please instruct SEBI that membership should be open. At least, increase it to 2,000 brokers. The premium on a single card—what they call a card, a stock exchange card—in Bombay is Rs. 1.20 crores. Rs. 1.20 crores is the premium for a new person to buy an old member's card. What kind of economy are you creating? ...*(Interruptions)*... Rs. 1.20 crores! That is the last deal. The premium could be even more. The last card in the Stock Exchange changes hands at Rs. 1.20 crores. So, I request the Finance Minister, since we are in this new-found enthusiasm for capital market, etc., these 12 floors of the Bombay Stock Exchange should be immediately vacated, the Bombay Stock Exchange's total membership should be kept at 2,000, the premium on the cards should come down and new brokers should come in so that the business in conducted efficiently and effectively. ...*(Interruptions)*...

Sir, finally, the total business conducted in the Bombay Stock Exchange last year was Rs. 32,000 crores. This year it is estimated to be Rs. 65,000 crores. In the next year the business is going to be double. Now, if the business is going to be double and the number of stock brokers is going to remain the same, obviously, You are giving unfair profit, unfair leverage to existing members because they are there. If the business is expanding, let the people involved in the business also expand in numbers.

That is the rule of the game.

I don't want to take much time of the House. I would requst the Finance Minister to give serious thought to this proposal because the Bombay Exchange Chairman has made a statement that the index would be shooting up even further. I do not know the financial implications. That is for the Reserve Bank and the Finance Ministry to see whether it is proper for the index to shoot up and on the day it crashes how many investors lose money because the hard fact of life is that when the index goes up the speculator earns, and when the index goes down the investors lose. So, this Government must have a tempering effect on the operation of the stock exchange. That is why you have brought forward this Bill But please let it not go the way of dozens of such Bills that we have passed here, by which institutions come into being, they become corporate bodies and business goes on as usual.

Thank you.

THE VICE-CHAIRMAN (SHRI M.A. BABY): Before I call the next Member, I do not know whether the House will give permission to allow Shri V. Narayanasamy to preside over the remaining period.

SHRI KAMAL MORARKA: Of course.

SHRI JAGESH DESAI (Maharashtra): With pleasure.

THE VICE-CHAIRMAN SHRI M.A. BABY : He has had the experience of being an illustrious panel Vice-Chariman.

SHRI KAMAL MORARKA: There are many advantages if he is in the Chair.

PROF. SAURIN BHATTACHARYA: In any case his performance on the floor is eminently suited for that office. *(Interruptions)*

[The Vice-Chairman (Shri V. Narayanasamy) in the Chair.]

DR. YELAMANCHILI SIVAJI (Andhra Pradesh): Sir, as mentioned by my friend who spoke earlier, the Board, as enunciated in the Bill, is mainly nominated from among the officials of the Ministries of the Central Government as well as the Reserve Bank and others. At the same time there is no place for investors or for stock-brokers or for chartered accountants and others. So, I may add that there should be sufficient

room for all these people to be nominated on this Board.

Sir, it is a fact that since this Government came into office there is a boom in the stock market, and all the stock exchanges are acting more or less in a way like gambling dens. Since January last year, it is estimated that more than Rs. 1,70,000 crores of profit has been earned by transferring shares to one firm or the other. Then, there is no relation between profit and equity ratio, and there is no relation between price earning and multiples. In several other countries like Japan or South Korea or Brazil the ratio between price earning and the multiples was very high, and the stock markets collapsed like anything. If the stock markets collapse, the investors will lose, and at the same time the speculators will benefit.

It is reported that about a month back the premises of a stock-broker in Bombay were raided, and his concealed wealth was estimated to be something like Rs. 49 crores. The same broker in 1986 had filed a return in the Income Tax Department stating that his annual income was only Rs. 28,000. But, within a short span of six years, his annual income went up from Rs. 28,000 to Rs. 49 crores. It is something amazing. Every announcement of Dr. Manmohan Singh and the present Government is giving a boost, is giving a boom to the stock market. It is a calculated effort of the Government to transfer wealth from the rural area to the urban area and from the agricultural sector to the industrial sector. So, if this system continues, I am very much afraid. Under the Budget also several reliefs have been announced for the advantage of the industry and for the capital market. So, if this system continues, all other sectors will come down, and only industrialists and traders will thrive at the cost of the common people. Even the SEBI, I am very much afraid, is not having any teeth to protect the small investors as well as odd lots. So, I would like to advise the Government to see that some protection is provided to small investors through this Bill.

Thank you.

THE VICE-CHAIRMAN (SHRI V. NARAYANASAMY): Prof. Saurin Bhattacharya, Shri Murasoli Maran, Shri Shabbir Ahmad Salaria, Shri A.P. Gautam. They are absent.

SHRI DINESHBHAI TRIVEDI (Gujarat): While the share market is booming, so is the complaint of investors, mainly small investors. SEBI may not be having the infrastructure to meet all the complaints. Nor do the companies today have, because scrips have gone so high in terms of quantity that they do not have the infrastructure. Would the hon. Minister consider my suggestion --I do not know how effective it will be -- of having some kind of a forum like the Telephone Adalat, where periodically investors who have got a long-standing complaint, let us say of six or eight months or so, are called and the companies against who they have got complaints are also called and the complaints are sorted out there? Would the Minister consider this? I would be very grateful if he replies to this while replying.

[The Vice-Chairman (Shri Bhaskar Annaji Masodkar) in the Chair]

SHRI RAMESHWAR THAKUR: I am grateful to the hon. Members, who have participated in the debate on this Bill and have made very valuable, useful and practical suggestions. At the outset I would like to assure the House that all their suggestions will receive due consideration.

Sir, we are all aware that the stock exchange has a long history in our country. It has more than 100 years' history. The first stock exchange was established in Bombay in 1875. It came under the regulation of the Securities Contract (Regulation) Act of 1956. In 1957, there were only five stock exchanges in the country. At the moment we have 22 stock exchanges functioning very well and we have under consideration eight more applications, as recommended by the Fervani Committee for establishment of additional stock exchanges.

The number of shareholders has increased considerably. It was about 6 million in 1978. It has now gone up to about 40 million in 1989. At the moment it has gone up still further.

A question has been asked by several Members as to what is the reason that the stock exchange pick point has gone up very high in recent months. Why is it that the shares are booming all over the country, particularly in the Bombay Stock Exchange? In this connection I would like to mention that the stock exchange is one of our economic indicators of the confidence of the investors in the economy of the country. Since this new Government came into power and has followed very pragmatic economic and fiscal policies in regard to industry and trade, the results are for anybody to see. The Stock Exchange has responded very well. I would like to inform Shri Morarkaji, as I have already stated, it was through various policies announced by the Government in regard to the industry and the capital market it has become imperative to take immediate steps, measures to regularise and to create confidence in the Stock Exchanges. Since the Parliament was not in session, we had to promulgate this Ordinance on the 30th January, 1992. It was considered necessary at that stage because any further delay would affect the Stock Exchanges and stock markets were rising very high. The desire of the investing people was that a measure to regulate the market should come into force. Therefore, we have brought forward this Bill.

Many Members have mentioned that we have oversubscription, money is not being refunded and interest is not being paid and what steps we are taking to look into these things. In this connection, hon. Members should appreciate that there is the Companies Act which guides all these things. There is a clear regulation with regard to refund of money and payment of interest. Under section 72 (2A) of the Companies Act, 1956, the companies are required to despatch allotment letters, certificates and refund orders within ten weeks from the closure of the subscription list of the public issue. In case of default very severe action could be taken. As regards the rate of interest, 4 per cent interest will be payable if the delay in respect of payment is 15 days. Five per cent interest will be payable in case of delay up to one month. Then 12 per cent interest will be payable if the delay is more than 30 days. But up to 60 days the interest payable is 12 per cent. If the delay is more than 60 days the interest payable is 15 per cent. So these provisions are already there and due care is taken to ensure wherever there is oversubscription, the money is refunded to the subscribers well in time along with interest as prescribed under the Companies Act.

As regards trade matter delays, I would like to mention that the SEBI has taken into consideration this matter also. A very good suggestion has been made that we should have public adalats and so on. Let me first mention that SEBI has got a very effective system. From January to December, 1991 about 69100 complaints of various types have been received. From January to March, 30, 681 complaints have been attended to. There are no delays for more than a fortnight. On all these issues, not only action is taken but due publicity is being given and press release is issued by the SEBI every fortnight in regard to the complaints received and the action taken by them. So effective action is being taken. Another good suggestion was made in this regard it will be considered in due course. With regard to certain other suggestions which have been made by the hon. Members and which are very valuable suggestions, we shall be too glad to consider them as and when the necessity arises.

Mr. Vishvjit P. Singh has raised the question of powers and functions of SEBI. I would like to mention that the powers and functions, particularly rules and regulations are not left at loose ends. If you see clause 29, we have given details of the power to make rules and in clause 30 we have given details of the power to make regulations. These rules and regulations, as provided under clause 31, shall be laid before each House of Parliament. When they are framed, they will be placed before Parliament. They will not be kept out of the hands of Parliament.

In regard to the powers of exemption mentioned by hon. Shri Singh, they are dealt with under clause 28. It is in relation to clause 12 in which we have said that all categories of stock-brokers

have to be registered. But there may be some situations where we may have to give exemption. For instance, if there are certain securities, certain funds, at the disposal of the Reserve Bank of India, if exemption should be given in the public interest, this exemption clause will be used. It will be used only as and when required essentially in the public interest. This is an enabling clause. Also, we have given sufficient powers to the Board for the day-to-day working. No interference will be made by the Government. In course of time, if experience is gained and if it is thought that certain powers, which are residuary with the Government, are specifically to be devolved or to be given to the SEBI, they will be given, as announced by the hon. Finance Minister.

As regards the various other propositions, these matters are under examination. Even the regulations are being framed. We have circulated the draft regulations to Members and the public to get their suggestions. All the different aspects would be kept in view to make it more practical, more functional, democratic and in the best interest and protection of investors.

With these words, I commend that the Bill may be adopted.

SHRI CHIMANBHAI MEHTA: When I was ending up my speech, I requested the Minister to give clarifications on the boom and I asked whether it would burst.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): That is not on the Bill. He is on the Bill.

SHRI CHIMANBHAI MEHTA: But he said he would reply to this point also. I am not asking anything about inflation. But I except his reply about the boom because it affects millions of investors. How are they going to check and regulate?

SHRI RAMESHWAR THAKUR: There are two points. One was in regard to the constitution of the Board and the powers being given to the Board. It was asked whether we could have members from the stock exchanges on the Board. It is considered very advisable that experts, specialists, in different fields, who have knowledge of the working of the market and finance, should be there. Members of the stock exchanges, which are to be looked after by the SEBI, themselves will not be members of the Board, the SEBI. This is one part.

Coming to the second part, we will take all possible steps to ensure, when the regulations are being framed, that detailed powers, functions and various other aspects are covered in the regulations. There is no difficulty. As the hon. Member might have seen, the powers of the Board as have been given, are very comprehensive to ensure protection of the interests of shareholders, investors, stock-brokers and others. So that aspect has been well covered at the moment and in course of time, if the necessity arises to amend the provisions, the Government would consider it objectively.

SHRI KAMAL MORARKA: Sir, the Minister has not answered even a single point raised by me. Perhaps the points do not deserve an answer. (*Interruptions*). I only request the Minister to answer three points. I want to know whether the brokers' monopoly will be broken, whether the 12 floors will be vacated—it is actually in your hands to do it and unless you do it, the monopoly will continue—and whether a Chairman who knows the subject will be appointed.

SHRI RAMESHWAR THAKUR: The hon. Member has mentioned about the Bombay Stock Exchange. The Bombay Stock Exchange, as I mentioned, is the oldest Stock Exchange in our country. We are very happy and proud about its performance. They need space. When I was in Bombay, I had the privilege of addressing more then 1,000 members. They had shown me round the place their problems. I have conveyed this to my colleague, who looks after the Banking and Insurance and the authorities of the Bombay Stock Exchange, Mr. M.M. Kothari, the President and the others. They met him. The matter will be considered in due course by my colleague.

As regards the investors' protection, we will have to ensure one thing. The membership is to be made as per the present arrangement by the Stock

Exchanges themselves. They have the guidelines and the SEBI has made the detailed guidelines. Within the framework of the guidelines, new members will be enrolled. We are told that this is a fact. Mr. Morarka has got more specific information than possibly we have that in Bombay, there is a rush for membership. There are only 71 vacancies and we understand that a large number of applicants are there. Obviously, there will be difficulty. But the kind of suggestion made in regard to the company's formation and the same shareholders having formed the Committee, this aspect will be looked into by the SEBI, and I am sure, the guidelines which you have prescribed, will take care that no unhealthy competition is developed, due consideration is given and the members are enrolled on merits. That is our interest not only in Bombay alone where there is so much rush but in other Stock Exchanges and particularly, for the eight new Stock Exchanges which are likely to be formed. So, we will take into consideration the various suggestions made by the hon. Members. Even if I have not been able to reply to some of them, as I have said at the very outset, the other valuable and constructive suggestions given by the Hon'ble Members will receive due consideration from the Government. Thank you.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): I shall put the motion moved by Shri Rameshwar Thakur to vote. the question is:

> "That the Bill to provide for the establishment of a Board to protect the interests of investors in securities and to promote the development of, and to regulate, the securities market and for matters connected therewith, or incidental thereto, as passed by the Lok Sabha, be taken into consideration."

The motion was adopted.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): We shall now take up clause- by-clause consideration of the Bill.

Clauses 2 to 35 and the Schedule were added to the Bill

Clauses 1, the Enacting Formula and the Title were added to the Bill

SHRI RAMESHWAR THAKUR: Sir, I move:

"That the Bill be passed."

The question was put and the motion was adopted.

THE VICE-CHAIRMAN (SHRI BHASKAR ANNAJI MASODKAR): The House stands adjourned till 11.00 A.M. on Thursday, the 2nd April, 1992.

The House then adjourned at fifty-four minutes past seven of the clock till eleven of the clock on Thursday, the 2nd April, 1992.